

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Saginaw Co. 911 Comm. Ctr. Authority	County Saginaw
Fiscal Year End September 30, 2006	Opinion Date November 8, 2006	Date Audit Report Submitted to State December 5, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

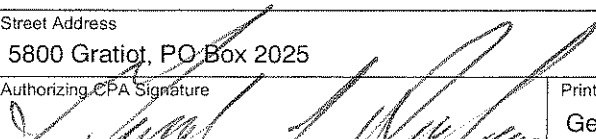
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 989 799-9580	
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	Zip 48605
		License Number 1101007126	

Saginaw County 911

Communications Center Authority

Saginaw, Michigan

Financial Statements

For the Year Ending September 30, 2006

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

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**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

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## **INDEPENDENT AUDITORS' REPORT**

November 8, 2006

To the Board of Directors  
Saginaw County 911  
Communications Center Authority  
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of ***Saginaw County 911 Communications Center Authority***, as of and for the year ended September 30, 2006, which collectively comprise the Authority's financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of ***Saginaw County 911 Communications Center Authority***, as of September 30, 2006, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the annual financial report presents management's discussion and analysis of Saginaw County 911 Communications Center Authority's (hereon referred to as "the Authority") performance during the fiscal year ending September 30, 2006. Please read this along with the financial statements of the Authority. A comparison of current year to prior year financial information is provided.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the September 30, 2006, fiscal year by \$3,037,923 (net assets). Of this amount, \$2,750,726 (unrestricted net assets) may be used to meet the government's ongoing obligations for Authority programs.
- The General Fund received \$4,046,020 in revenues and had \$3,465,226 in expenditures. The General Fund's fund balance increased to \$2,485,894 from \$1,905,100.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,424,588 or 70% of total General Fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to provide a basis of understanding of the Authority's basic financial statements. These statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

### **Government –Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the differences between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Saginaw County 911 Communications Center Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Authority can be divided into two categories: governmental funds and fiduciary funds. The Authority maintains one governmental fund and one fiduciary fund.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Saginaw County 911 Communications Center Authority adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

***Fiduciary funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Authority's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## **Notes to the financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-27 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$3,037,923 at the end of the September 30, 2006 fiscal year.



## Summary of Net Assets

<b>Assets</b>	<b>2004/2005</b>	<b>2005/2006</b>
Current Assets	\$ 2,452,257	\$ 3,052,968
Capital Assets, net	<u>364,850</u>	<u>287,197</u>
Total assets	\$ 2,817,107	\$ 3,340,165
<b>Liabilities</b>		
Current Liabilities	\$ 153,853	\$ 212,678
Long-term Liabilities	<u>91,744</u>	<u>89,564</u>
Total Liabilities	\$ 245,597	\$ 302,242
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 364,850	\$ 287,197
Unrestricted	<u>2,206,660</u>	<u>2,750,726</u>
Total Net Assets	\$ 2,571,510	\$ 3,037,923

The net assets is separated into two major components; invested in capital assets (e.g., equipment), which amounted to \$287,197 or 9% of net assets and unrestricted net assets of \$2,750,726 or 91% of net assets. Unrestricted net assets may be used to meet the government's ongoing obligations to its programs.

The Authority's net assets increased by \$466,413 during the current fiscal year. Most of this increase largely reflects the degree to which ongoing revenues exceeded ongoing expenditures.

## Statement of Activities

<b>Revenue</b>	<b>2004/2005</b>	<b>2005/2006</b>
Program Revenues		
Charges for services	\$ 3,684,577	\$ 3,965,510
General Revenues:		
Interest	\$ 26,464	\$ 65,324
Other	<u>44,720</u>	<u>15,186</u>
Total revenue	\$ 3,755,761	\$ 4,046,020
<b>Expenses</b>		
Public safety	\$ 4,135,692	\$ 3,388,426
Capital outlay	<u>174,108</u>	<u>191,181</u>
Total Expenses	\$ 4,309,800	\$ 3,579,607
<b>Increase (decrease) in Net Assets</b>	\$ (554,039)	\$ 466,413

The change in net assets differs from the change in fund balance because of different accounting requirements. A reconciliation appears later in the financial statements. Expenses decreased in FY 05/06 due to the fact that a large portion of the Authority's capital assets became fully depreciated in FY 04/05.

### **Summary of Fund Financial Statements**

**Governmental fund.** As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$2,485,894, an increase of \$580,794 from the prior year. 97% or \$2,424,588 of the fund balance constitutes unreserved fund balance, which is available for spending at the Authority's discretion.

The increase in the fund balance of \$580,794 indicates that expenditures were less than revenues for the year. The increase is primarily related to the increase in surcharge revenue.

**Fiduciary fund.** The Authority maintains one fiduciary fund in the form of a trust fund. The Post Employment Health Benefits Trust Fund was established to accumulate funds for the future payments of postretirement health benefits.

As of the end of the current fiscal year, the Authority's trust fund reported a net assets balance of \$1,270,989, an increase of \$242,689 from the prior year. The trust fund net asset ending balance is wholly made up of cash and investments. The increase is due to contributions, interest, and appreciation in fair value in excess of expenses.

### **Budgetary Highlights**

The Authority annually prepares formal budgets with amendments made when necessary. Each of the amendments is approved by the Board. Approximately 95% of the Authority's revenue comes from telephone surcharges. The surcharge budget is based on an amount charged per telephone land line.

State law requires that expenditures do not exceed appropriations. Original and final budgets, as well as actual amounts paid and received, are included in the basic financial statements.

The General Fund received \$4,046,020 in revenues and had \$3,465,226 in expenditures. The General Fund's fund balance increased to \$2,485,894 from \$1,905,100.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$2,424,588 or 70% of total General Fund expenditures. \$1,625,000 of this money is designated for future expenditures.

The actual General Fund expenditures were within 81% of the final budget amounts. The increase in the actual General Fund revenues from the final budgeted amounts is due to an increase in the surcharge amount and the radio service charge.

### **Capital Assets**

As of September 30, 2006, the Authority had \$287,197 in capital assets consisting of various pieces of equipment.

#### **Capital Assets (net of depreciation) September 30, 2006**

	<b>2004/2005</b>	<b>2005/2006</b>
Equipment	\$ 7,097,995	\$ 7,097,995
Less accumulated depreciation	<u>\$ 6,733,145</u>	<u>\$ 6,810,798</u>
Net Capital Assets	\$ 364,850	\$ 287,197

### **Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Authority's budget for the 2006-2007 fiscal year:

- Maximum surcharge revenue is charged per phone line.
- The Authority will be renegotiating extension of the building lease.
- Continuing legislative action to stabilize surcharge funding.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances, and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the Executive Director, Saginaw County 911 Communications Center Authority, 618 Cass St, Saginaw, MI 48602.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND**

**SEPTEMBER 30, 2006**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,411,493	\$ -	\$ 1,411,493
Investments	1,200,246	-	1,200,246
Accounts receivable	1,978	-	1,978
Interest receivable	2,056	-	2,056
Due from other governmental units	21,493	-	21,493
Prepaid expenditures/expenses	46,492	-	46,492
Prepaid health benefits	14,814	-	14,814
Net pension asset	-	354,396	354,396
Capital assets, net of accumulated depreciation	-	287,197	287,197
<b>TOTAL ASSETS</b>	<u>\$ 2,698,572</u>	<u>641,593</u>	<u>3,340,165</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 126,553	\$ -	\$ 126,553
Accrued payroll and related liabilities	39,633	-	39,633
Unearned revenue	46,492	-	46,492
Accrued compensated absences	-	89,564	89,564
<b>TOTAL LIABILITIES</b>	<u>212,678</u>	<u>89,564</u>	<u>302,242</u>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balance:			
Reserved:			
Prepaid expenditures	61,306	(61,306)	-
Unreserved:			
Designated for:			
Equipment replacement	1,500,000	(1,500,000)	-
Health insurance claims	125,000	(125,000)	-
Undesignated	799,588	(799,588)	-
<b>TOTAL FUND BALANCE</b>	<u>2,485,894</u>	<u>(2,485,894)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 2,698,572</u>		
Net assets:			
Invested in capital assets		287,197	287,197
Unrestricted		2,750,726	2,750,726
<b>TOTAL NET ASSETS</b>		<u>\$ 3,037,923</u>	<u>\$ 3,037,923</u>

The accompanying notes are an integral part of these financial statements.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>EXPENDITURES/EXPENSES</b>			
Public safety	\$ 3,274,045	\$ 114,381	\$ 3,388,426
Capital outlay	191,181	-	191,181
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>3,465,226</u>	<u>114,381</u>	<u>3,579,607</u>
<b>PROGRAM REVENUES</b>			
Charges for services	<u>3,965,510</u>	<u>-</u>	<u>3,965,510</u>
<b>NET PROGRAM (EXPENSE) REVENUE</b>			<u>385,903</u>
<b>GENERAL REVENUES</b>			
Interest	65,324	-	65,324
Other	<u>15,186</u>	<u>-</u>	<u>15,186</u>
<b>TOTAL GENERAL REVENUES</b>	<u>80,510</u>	<u>-</u>	<u>80,510</u>
CHANGE IN FUND BALANCE	580,794	(580,794)	-
CHANGE IN NET ASSETS	-	466,413	466,413
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	<u>1,905,100</u>	<u>666,410</u>	<u>2,571,510</u>
<b>FUND BALANCE/NET ASSETS, END OF YEAR</b>	<u><u>\$ 2,485,894</u></u>	<u><u>\$ 552,029</u></u>	<u><u>\$ 3,037,923</u></u>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**



**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**

**FOR THE YEAR ENDED SEPTEMBER 30, 2006  
(WITH COMPARATIVE TOTALS FOR 2005)**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Final Budget</b>	<b>Year Ended September 30, 2005</b>
<b>REVENUES</b>					
Telephone surcharge	\$ 3,801,600	\$ 3,801,600	\$ 3,642,174	\$ (159,426)	\$ 3,529,196
Radio service charge	-	-	243,336	243,336	67,516
Reimbursements	57,000	57,000	80,000	23,000	87,865
Interest	25,000	25,000	65,324	40,324	26,464
Other	5,000	5,000	15,186	10,186	44,720
<b>TOTAL REVENUES</b>	<b>3,888,600</b>	<b>3,888,600</b>	<b>4,046,020</b>	<b>157,420</b>	<b>3,755,761</b>
<b>EXPENDITURES</b>					
Employee wages and salaries	2,013,982	2,013,982	1,864,851	(149,131)	1,858,593
Fringe benefits	1,100,010	948,010	834,213	(113,797)	925,145
Other operating expenditures					
Office supplies	7,700	7,700	2,424	(5,276)	4,165
Uniforms and accessories	5,000	5,000	4,336	(664)	2,918
Membership dues	2,000	2,000	1,576	(424)	1,870
Pre-employment physicals	2,000	2,000	2,231	231	2,555
Travel & training	19,000	19,000	17,370	(1,630)	18,615
Printing	6,000	6,000	5,608	(392)	5,280
Liability insurance	55,000	55,000	43,425	(11,575)	54,753
Telephone	42,000	42,000	31,064	(10,936)	35,882
Utilities	27,000	27,000	21,640	(5,360)	20,646
Repairs & maintenance - building	9,000	9,000	8,117	(883)	7,848
Repairs & maintenance - communication equipment	471,500	471,500	331,934	(139,566)	288,170
Janitorial services	5,000	5,000	4,842	(158)	4,897
Legal and accounting	12,500	12,500	5,880	(6,620)	6,379
Other contracted services	73,900	73,900	20,809	(53,091)	53,063
Building lease	74,000	74,000	73,725	(275)	70,950
Capital outlay	502,008	502,008	191,181	(310,827)	201,009
Total other operating expenditures	1,313,608	1,313,608	766,162	(547,446)	779,000
<b>TOTAL EXPENDITURES</b>	<b>4,427,600</b>	<b>4,275,600</b>	<b>3,465,226</b>	<b>(810,374)</b>	<b>3,562,738</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(539,000)</b>	<b>(387,000)</b>	<b>580,794</b>	<b>967,794</b>	<b>193,023</b>
FUND BALANCE, BEGINNING OF YEAR	1,905,100	1,905,100	1,905,100	-	1,712,077
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 1,366,100</b>	<b>\$ 1,518,100</b>	<b>\$ 2,485,894</b>	<b>\$ 967,794</b>	<b>\$ 1,905,100</b>

The accompanying notes are an integral part of these financial statements.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**SEPTEMBER 30, 2006**

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	<b>Post Employment Health Benefits Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 13,767
Investments	<u>1,257,222</u>
<b>Total assets</b>	<u>1,270,989</u>
<b>NET ASSETS</b>	
Held in trust for postemployment health benefits	<u><u>\$ 1,270,989</u></u>

The accompanying notes are an integral part of these financial statements.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

**FIDUCIARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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	<b>Post Employment Health Benefits Trust Fund</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 160,000
Net change in fair value of investments	41,997
Interest income	49,717
Net investment earnings	91,714
Total additions	251,714
<b>DEDUCTIONS</b>	
Investment management fees	(9,025)
<b>CHANGE IN NET ASSETS</b>	242,689
NET ASSETS, BEGINNING OF YEAR	1,028,300
<b>NET ASSETS, END OF YEAR</b>	\$ 1,270,989

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# **SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The *Saginaw County 911 Communications Center Authority*, “Authority”, was formed under Public Act 7 of 1967 (Urban Cooperation Act), and is considered a local governmental unit. The Authority provides public safety related services including the dispatch of emergency police, fire and medical services within Saginaw County.

The accounting policies of the Authority conform to generally accepted accounting principles, as applicable to governments. The following is a summary of the more significant policies.

#### **A. THE REPORTING ENTITY**

The Authority has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the primary government financial statements only.

#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The general fund is the Authority’s only major fund and is reported as a separate column in the financial statements.

# SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

Reimbursement and interest revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are derived primarily from telephone surcharges.

Additionally, the Authority reports the following fund type:

***Post Employment Health Benefits Trust Fund*** – This fund is used to account for assets held to fund health care benefits for retirees of the Authority. Revenues of this fund are received from contributions from the General Fund. Expenses related to retiree health benefits are currently not being recorded in this fund; rather, these costs are being paid with current expendable resources of the General Fund. The Authority's management intends to continue to record these expenses in the General Fund, until a significant net assets balance is accumulated in the Post Employment Health Benefits Trust Fund.

# **SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

#### **2. INVESTMENTS**

Michigan law authorizes the Authority to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

# **SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Authority's investment policy allows for all of these types of investments. Investments are carried at fair value.

### **3. RECEIVABLES**

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### **4. CAPITAL ASSETS**

Capital assets, which include equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when purchased. Capital assets of the Authority are depreciated using the straight line method over estimated useful lives of 3-10 years, depending on the type of equipment.



**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**5. FUND EQUITY**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**6. COMPENSATED ABSENCES**

The Authority allows employees to accumulate unused paid-time-off (PTO), up to a maximum of 600 hours. Unused PTO, in excess of 600 hours is paid to employees on an annual basis. At the time of termination of their employment, employees are eligible to receive payment for their unused PTO, at their current hourly rate as of the date of termination.

Unpaid PTO pay is reported in the Statement of Net Assets.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

A comparison to budget is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). General Fund expenditures are budgeted at the following classification levels: employee wages and salaries, fringe benefits, and other operating expenditures.

Adoption and amendments of budgets used by the Authority are governed by Public Act 621. Any amendment of the original budget must meet the requirements of Public Act 621. Encumbrance accounting is not utilized by the Authority.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

A reconciliation of cash and investments as shown in the basic financial statement to the Authority's deposits and investments is as follows:

	<b><u>Carrying Amount</u></b>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 1,411,493
Investments	1,200,246
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	13,767
Investments	<u>1,257,222</u>
Total	<u><u>\$ 3,882,728</u></u>
Notes to Financial Statements:	
Deposits	\$ 2,371,235
Investments	<u>1,511,493</u>
Total	<u><u>\$ 3,882,728</u></u>

# SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### Deposits and investments

The Authority chooses to disclose its investments by specifically identifying each. As of year end, the Authority had the following investments.

Investment	Maturity	Fair Value	Ratings
LaSalle Bank Government Money Market Fund #604	N/A	\$ 254,273	Moody's Aaa & S&P AAAm
American Growth Fund of America Fd CI F	N/A	165,448	5★ Morningstar 3 Yr Rating
Marsico Investment Growth Fund	N/A	59,501	4★ Morningstar 3 Yr Rating
Vanguard 500 Index Fund	N/A	147,378	3★ Morningstar 3 Yr Rating
American Fundamental Investors CI F	N/A	61,116	5★ Morningstar 3 Yr Rating
Harris Assoc Invt Oarkmark Fund SBI	N/A	35,916	1★ Morningstar 3 Yr Rating
Columbia Acorn Tr Fd CI Z	N/A	73,501	5★ Morningstar 3 Yr Rating
Hotchkiss & Wiley Fds Sm Cap Value CI A	N/A	43,836	2★ Morningstar 3 Yr Rating
Morgan Stanley US Real Estate Inst Fund	N/A	31,278	5★ Morningstar 3 Yr Rating
First Eagle Sogen Inc Global Fd CI I	N/A	150,036	5★ Morningstar 3 Yr Rating
Vanguard Intermediate Term Bond Indx Fd	N/A	149,795	3★ Morningstar 3 Yr Rating
Metro West Fds Low Duration CI I	N/A	93,578	5★ Morningstar 3 Yr Rating
Payden & Rygel Invt Short Bond Fd CI R	N/A	42,757	3★ Morningstar 3 Yr Rating
PIMCO Low Duration Fund Inst CI	N/A	37,835	4★ Morningstar 3 Yr Rating
Vanguard Fixed Incm Short Term Corp Fd	N/A	132,672	4★ Morningstar 3 Yr Rating
Pioneer High Yield Fund CI A	N/A	32,573	1★ Morningstar 3 Yr Rating
		<u>\$1,511,493</u>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note I of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. None of the Authority's investments have specific maturity dates.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note I of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

# SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end \$2,300,829 of the Authority's bank balance of \$2,600,829 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in note 1 of the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit. More than 5 percent of the Authority's investments are in the LaSalle Bank Government Money Market Fund #604, American Growth Fund of America Fd CI F, Vanguard 500 Index Fund, First Eagle Sogen Inc Global Fd CI I, Vanguard Intermediate Term Bond Indx Fd, Metro West Fds Low Duration CI I, and Vanguard Fixed Incm Short Term Corp Fd. All investments held at year end are reported above.

### B. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

	<b><u>Beginning Balance</u></b>	<b><u>Additions</u></b>	<b><u>Disposals</u></b>	<b><u>Ending Balance</u></b>
Capital assets being depreciated:				
Equipment	\$7,097,995	\$ -	\$ -	\$7,097,995
Less accumulated depreciation				
Equipment	(6,733,145)	(77,653)	-	(6,810,798)
Total capital assets being depreciated, net	<u>\$ 364,850</u>	<u>\$(77,653)</u>	<u>\$ -</u>	<u>\$ 287,197</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**C. LONG-TERM DEBT**

**Changes in Long-Term Debt**

Long-term liability activity for the year ended September 30, 2006 was as follows:

<b>Ending</b>	<b>Beginning</b>			<b>Ending</b>	<b>Due within</b>
<b>Balance</b>	<b>Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b>	<b>One Year</b>
Compensated absences	\$ 91,744	\$ -	\$ (2,180)	\$ 89,564	\$ -

**D. OPERATING LEASE**

The Authority entered into an agreement with the Saginaw County Building Authority, to lease the 911 Communications Center. The agreement commenced on July 12, 1996, whereby rent is charged at a rate equal to the debt payments, as required by the general obligation bond issue. The original agreement was for a period of 5 years, terminating on December 31, 2001. The agreement has been renewed and will end in 2006. This arrangement is being reviewed by the two parties in order to determine if, at the end of the current lease period, the Authority will continue to pay rental expense until the Building Authority bonds are paid off in 2009. Ownership of the 911 Communications Center after the bonds are paid off is also being reviewed, with a possibility of the Authority only being required to pay \$1.00 per year over a five year extension period.

Rent expense for the 911 Communications Center was \$73,725 for the year ending September 30, 2006.

The Authority's potential future minimum rental commitments (until the bonds are paid off) for the 911 Communications Center at September 30, 2006 are as follows:

<b>Year Ended September 30</b>	<b>Amount</b>
2007	\$ 76,250
2008	73,650
2009	<u>75,925</u>
	<u>\$225,825</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**IV. OTHER INFORMATION**

**A. DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Authority's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

***Funding Policy***

The Authority is required to contribute at an actuarially determined rate. Employees are currently not required to contribute to the Plan. The contribution requirements of the Authority are established, and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Authority, depending on the MERS contribution program adopted by the Authority.

***Annual Pension Cost and Net Pension Asset***

The Authority's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$ 162,687
Less: Interest on net pension asset	(31,464)
Plus: Adjustment to annual required contribution	<u>70,372</u>
Annual pension cost	201,595
Contributions made	<u>162,687</u>
Decrease in net pension asset	38,908
Net pension (asset), beginning of year	<u>(393,304)</u>
Net pension (asset), end of year	<u><u>\$ (354,396)</u></u>

# SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

For the year ending September 30, 2006, the Authority's annual pension cost of \$201,595 for MERS was more than the Authority's required contribution and the actual contribution made. Actual contributions to MERS for the year ending September 30, 2006 amounted to \$162,687. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 24 years.

### Trend Information

Fiscal Year/Period Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Asset)
9/30/04	\$ 258,515	77%	\$(443,660)
9/30/05	267,228	81%	(393,304)
9/30/06	201,595	81%	(354,396)

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$5,190,782	\$ 5,869,637	\$ 678,855	88%	\$ 1,215,658	56%
12/31/04	5,672,266	6,225,391	553,125	91%	1,172,145	47%
12/31/05	6,030,308	7,128,892	1,098,584	85%	1,119,235	98%

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**B. DEFINED CONTRIBUTION PENSION PLAN**

***Plan Description***

The Authority's Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the Authority and administered by an outside third-party administrator. All Authority employees hired after January 1, 1999, are required to participate in the Plan. All other Authority employees that are not vested in the Authority's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan.

Employees vest in the Authority's contributions in accordance with the following scale:

<u>Years of Service Completed</u>	<u>Percent Vested</u>
1	0%
2	0%
3	25%
4	50%
5	75%
6	100%

At September 30, 2006, there were 13 plan members. Plan members are not required to contribute to the Plan, however, employees may contribute up to 3% of their annual salary. The Authority is required to contribute 6% of the employees' annual salary, as well as match all employee contributions. Plan provision and contribution requirements are established and may be amended by the Authority Board of Directors.

Employer contributions to the Plan for the year ended September 30, 2006 amounted to \$52,755 and employee contributions were \$17,585.

A stand-alone pension plan report has not been issued for the defined contribution plan.



# **SAGINAW COUNTY 911 COMMUNICATIONS CENTER AUTHORITY**

## **NOTES TO FINANCIAL STATEMENTS**

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### **C. POSTEMPLOYMENT HEALTH BENEFITS**

The Authority provides a postretirement group hospitalization plan provided proper application is made prior to retirement for union and nonunion employees. This Plan was established through employees' union contracts and through a board resolution for nonunion employees.

Currently 8 retirees receive postemployment health benefits. Benefits are paid on a pay-as-you-go basis and the expenditure for the year ended September 30, 2006 was \$61,739.

The Authority had an actuarial valuation performed as of March 31, 2004, which showed the Authority's unfunded accrued liability for postretirement health benefits to be between \$2,719,896 and \$4,133,074.

The fair value of the cash and investments held to fund retiree health care costs as of September 30, 2006 was \$1,270,989. The cash and investments held to fund retiree health care costs are invested with an investment manager and are accounted for within the Post Employment Health Benefits Trust Fund.

### **D. RISK MANAGEMENT**

The Authority is self insured for comprehensive liability, motor vehicle physical damage and property and crime coverage through the Michigan Municipal Risk Management Authority State Member Pool Fund (MMRMA).

All claims of the Authority, after meeting certain minimal deductible requirements, are paid from the State Member Pool Fund of MMRMA. MMRMA is responsible for any claims in excess of deductible amounts up to a maximum limit of \$5,000,000. As a participant in the State Pool Fund, the Authority participates with various other municipalities in the sharing of risk. Annual premiums of the Fund are based upon the claims history of the participant and the Fund's operating results. The costs of eligible claims incurred by the members of the Pool are charged against the Pool up to certain maximum coverage limits as contractually set forth. The Authority's policy is to recognize the annual premium cost as an expenditure of the General Fund. Settlements did not exceed insurance coverage for each of the past three fiscal years. The expenditure for the year ending September 30, 2006 was \$37,586.

The Authority also purchases insurance coverage from Saginaw County for various other types of coverage not included in the Authority's MMRMA insurance policy.

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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**E. ECONOMIC DEPENDENCY**

A significant portion of the Authority's revenues is derived from telephone surcharges. The Authority is economically dependent upon this funding source.

**F. COMMITMENTS AND CONTINGENCIES**

In the normal course of operations, the Authority becomes a party to various claims and lawsuits. In the opinion of the legal council and Authority management, the ultimate resolution of such matters will not have a material effect on the financial position of the Authority. There were no pending claims or lawsuits during the year ended September 30, 2006.

**G. ADJUSTMENTS**

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net assets, which reconciles fund balance to net assets:

Governmental fund balance	\$ 2,485,894
Adjustments:	
Capital assets	7,097,995
Accumulated depreciation	(6,810,798)
Net pension asset	354,396
Accrued compensated absences	<u>(89,564)</u>
Net assets of governmental activities	<u>\$ 3,037,923</u>

**SAGINAW COUNTY 911  
COMMUNICATIONS CENTER AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

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Following is an explanation of the adjustments between the governmental fund revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles fund balance to net assets:

Change in fund balance	\$ 580,794
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Adjustments:

Depreciation expense	(77,653)
Decrease in net pension asset	(38,908)
Decrease in compensated absences	<u>2,180</u>

Change in net assets	<u>\$ 466,413</u>
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